

Highlights

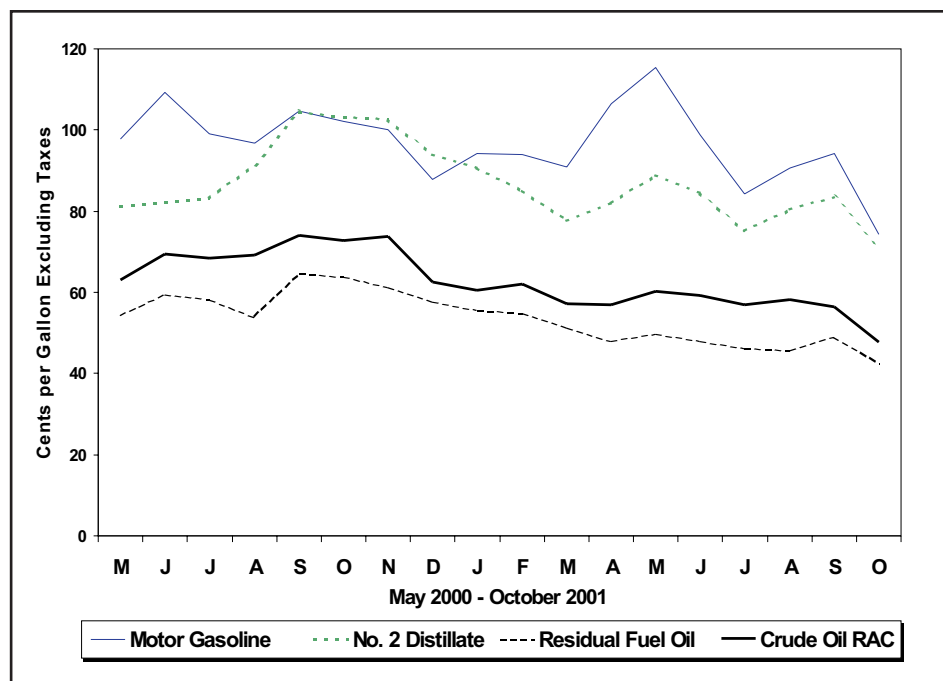
Fostered by anemic economic conditions across world markets, international crude oil prices dropped to the lowest levels seen during the past two years during October. In addition to faltering economies, declining demand for, and robust inventories of crude oil and finished products provided further impetus to falling price levels. Political events caused brief price fluctuations, but did not cause substantive changes. The start of U.S. bombing raids in Afghanistan on October 7 and news of anthrax infections in the United States caused little disturbance in markets. Of more consequence, the lack of the Organization of Petroleum Exporting Countries (OPEC) to make a firm decision regarding production cuts weakened support for prices and diminished the group's ability to moderate oil prices. By the end of the month, major non-OPEC oil producers publicized their own production agendas. Mexico announced a 1.71 million-barrels-per-day increase in wellhead production while Norway signaled it would not cut production.

\$1.255 on October 29. Retail prices in other regional markets also saw similarly significant decreases. At the spot market level, the price for regular gasoline at New York Harbor averaged 59.8 cents per gallon in October 2001 compared with 94.8 cents per gallon in October 2000. The monthly average No. 2 heating oil price shows a similar spread, falling from 97.7 cents per gallon last year to 62.8 cents per gallon this year. With little to suggest any significant changes to fundamental market conditions in the future, market watchers expect petroleum product prices to continue to decline in the future.

Additional October market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

In the United States, crude oil and finished product prices showed little change in October following the steep declines that took place during the latter part of September. While plentiful stocks and slowing demand explicitly affected prices, growing talk of the economy going into recession also influenced prices. Refining margins shrank over the course of the month as product prices moved closer to crude oil prices. In Midwestern markets, retail gasoline prices continued to fall, shaking off the effects of refinery outages and inventory shortages at the end of the summer driving season that had cause prices to surge. According to an EIA survey of retail gasoline prices, the average price in Chicago, Illinois for reformulated regular gasoline dropped from \$1.647 on October 1 to

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	October 2001		September 2001		October 2000		October 2001		September 2001		October 2000	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	89.9	60.7	109.2	62.1	115.5	62.0	74.2	307.1	94.1	300.4	102.2	298.7
Conventional	85.0	34.9	106.9	36.3	110.8	36.3	69.3	199.3	91.2	200.1	97.5	194.8
Regular	81.6	26.7	103.9	27.8	107.8	27.5	67.7	163.2	89.8	166.5	96.1	158.3
Midgrade	92.3	4.4	113.5	4.7	117.3	4.9	73.4	11.7	95.2	11.4	101.0	12.5
Premium	100.6	3.8	120.8	3.8	124.1	3.9	77.7	24.4	99.5	22.3	104.9	24.0
Oxygenated	98.1	3.3	124.0	1.9	122.3	2.8	85.4	10.6	108.2	7.8	112.3	10.7
Regular	94.5	2.6	121.8	1.5	119.7	2.2	84.3	8.3	107.0	6.2	111.1	8.4
Midgrade	106.2	0.4	129.5	0.2	129.3	0.3	84.1	1.3	110.0	1.0	111.1	1.3
Premium	116.3	0.3	139.3	0.1	137.3	0.2	95.9	1.0	118.2	0.6	123.9	0.9
Reformulated	96.3	22.5	111.5	24.0	122.1	22.9	82.9	97.2	99.1	92.5	110.9	93.2
Regular	92.1	16.2	107.4	17.4	118.6	16.4	79.8	72.8	96.2	69.4	108.4	68.7
Midgrade	103.0	3.1	118.3	3.3	128.1	3.4	90.6	7.9	105.4	8.0	115.4	8.4
Premium	111.2	3.2	126.2	3.3	134.5	3.1	92.8	16.5	108.8	15.1	119.3	16.1
Aviation Gasoline	125.4	0.1	142.5	0.1	134.9	0.2	112.1	0.6	132.8	0.6	138.1	0.6
Kerosene-Type Jet Fuel	67.8	44.3	82.3	43.1	104.5	49.6	68.9	11.6	80.7	13.1	104.4	12.9
Propane (Consumer Grade)	44.7	4.9	43.7	5.4	59.7	2.8	46.1	38.0	46.4	31.5	64.3	36.9
Kerosene	104.3	0.1	94.9	0.1	116.0	0.2	74.5	2.0	80.1	2.3	108.1	2.0
No. 1 Distillate	87.7	0.3	100.5	0.2	110.7	0.3	85.1	1.4	99.5	0.6	116.2	1.2
No. 2 Distillate	76.7	26.1	89.4	23.4	107.4	26.2	71.0	129.9	83.4	122.3	103.1	128.3
No. 2 Fuel Oil	72.4	3.3	88.8	2.1	105.0	2.8	68.5	20.9	79.0	18.0	98.8	22.0
No. 2 Diesel Fuel	77.3	22.8	89.5	21.3	107.6	23.5	71.4	109.0	84.1	104.3	104.0	106.2
Low Sulfur	78.9	15.4	91.5	14.3	109.9	15.7	71.8	95.1	84.9	90.3	104.6	91.8
High Sulfur	74.0	7.4	85.5	7.0	103.0	7.8	68.9	13.9	79.6	14.1	100.1	14.5
No. 4 Fuel^a	56.6	0.3	60.5	0.2	81.4	0.2	63.4	0.1	65.6	0.1	91.2	0.1
Residual Fuel Oil	48.9	11.6	53.2	12.2	68.6	13.8	42.4	8.4	48.9	7.4	63.8	10.8
Sulfur Content not > 1 %	55.4	3.0	62.3	2.4	76.8	3.8	45.3	3.8	51.2	4.7	73.7	4.3
Sulfur Content > 1 %	46.6	8.6	50.9	9.8	65.4	10.0	40.0	4.6	45.0	2.7	57.3	6.5

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma moved into a lethargic mode during October 2001, showing little variation and sagging to its lowest level since October 1999. Opening the month at \$23.44 per barrel, the price rose to its high of \$23.49 per barrel on October 11. Following that, it showed only small changes before closing the month at its lowest level, \$21.20 per barrel. The price was \$2.24 lower than where it began October.

- October monthly average crude oil prices declined substantially from September levels. The average

domestic crude oil first purchase price fell \$3.69 (16.5 percent), to \$18.68 per barrel.

- The average free-on-board (f.o.b.) cost of imported crude oil dropped \$3.89 (18.6 percent), to \$17.04 per barrel. The average landed cost of foreign crude oil decreased \$3.71 (16.6 percent), to \$18.66 per barrel.
- The average refiner acquisition cost for domestic crude oil fell \$3.69 (14.5 percent), to \$21.79 per barrel. The average cost of imported crude oil to U.S. refiners declined \$3.75 (16.7 percent), to \$18.76 per barrel. The composite refiner acquisition cost for crude oil dropped \$3.69 (15.5 percent), to \$20.04 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor declined moderately during October largely due to substantial inventories and slowing demand. The month's high of 66.4 cents per gallon was marked on October 1. The price continued to fall steadily during the coming weeks as fundamental market conditions remained essentially unchanged. The month's low was reached on October 31 when the price dropped to 54.0 cents per gallon, more than 12 cents lower than its level at the start of the month.

- Average U.S. gasoline prices dropped sharply during October. The average price for retail sales of motor gasoline by refiners fell 19.3 cents to 89.9 cents per gallon. The average wholesale price declined 19.9 cents to 74.2 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets decreased 20.8 cents to 89.9 cents per gallon. The average wholesale price fell 19.7 cents to 74.4 cents per gallon. The average dealer tank wagon (DTW) price declined 16.7 cents to 85.1 cents per gallon, while the average rack price dropped 22.2 cents to 70.7 cents per gallon. The average price for bulk sales fell 15.2 cents to 66.6 cents per gallon. Reformulated gasoline (RFG) prices exceeded conventional gasoline prices by 9.6 cents at retail and 11.8 cents at wholesale. Oxygenated gasoline prices were 11.4 cents more than conventional gasoline prices at retail and 14.4 cents higher at wholesale.
- Total refiner sales of gasoline increased slightly in October, rising 5.3 million gallons per day (1.5 percent), to an average of 367.8 million gallons per day. Retail sales fell 1.4 million gallons per day (2.3 percent), while wholesales rose 6.7 million gallons per day (2.2 percent). Rack sales accounted for 65.8 percent of wholesales, while DTW and bulk sales made up 21.9 percent and 12.2 percent, respectively. Reformulated gasoline constituted 32.5 percent of total motor gasoline sales, while oxygenated gasoline accounted for 3.8 percent.

No. 2 Distillate

The daily spot price for No. 2 heating oil at New York Harbor showed very little variation during October.

Opening at 66.1 cents per gallon, the price hovered within the low- to mid-60-cents range for the remainder of October. The high of 66.4 cents per gallon was reached consecutively on October 11 and 12. Showing little fluctuation during the coming weeks, the price closed the month at its low of 60.0 cents per gallon.

- No. 2 distillate prices underwent sizeable decreases in all sales categories in October. The national average residential price for No. 2 distillate fell 3.6 cents to \$1.140 per gallon. The average wholesale price declined 12.1 cents to 71.5 cents per gallon. The average price for No. 2 diesel fuel dropped 12.8 cents at company-operated retail outlets, while the average wholesale price decreased 12.5 cents. The difference between low- and high-sulfur diesel fuel prices was 3.0 cents at retail and 2.2 cents at wholesale.
- Total refiner sales of No. 2 distillate rose in October, increasing 10.4 million gallons (7.1 percent), to 156.1 million gallons per day. Sales of No. 2 fuel oil increased 4.1 million gallons per day (20.4 percent), while sales of No. 2 diesel fuel rose 6.3 million gallons per day (5.0 percent). Low-sulfur diesel fuel accounted for 83.8 percent of all refiner diesel fuel sales, and 70.8 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Average residual fuel oil prices decreased across the board in October. Refiner prices for low-sulfur residual fuel fell 6.9 cents to 55.4 cents per gallon at retail, and 5.9 cents to 45.3 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail declined 4.3 cents to 46.6 cents per gallon, while the wholesale price dropped 5.0 cents to 40.0 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price fell 5.3 cents to 53.4 cents per gallon at retail. The wholesale price declined 4.9 cents to 46.5 cents per gallon. Prices for high-sulfur residual fuel oil decreased 5.4 cents to 47.3 cents per gallon at retail, and 3.4 cents to 42.0 cents per gallon at wholesale.
- October refiner residual fuel oil sales inched up 400,000 gallons per day (2.0 percent), to 20.0 million gallons per day. Low-sulfur residual fuel sales dropped 300,000 gallons per day (4.2 percent), while high-sulfur residual fuel oil sales rose 700,000 gallons per day (5.6 percent).

Other Products

- For the most part, prices for the remaining surveyed products declined in October. Refiner propane prices rose 1.0 cent per gallon at retail, but fell 0.3 cent at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 1.6 cents per gallon. The average retail price climbed 2.9 cents, while the wholesale price decreased 0.4 cent. Prices for kerosene-type jet fuel, aviation gasoline, No. 1 distillate, and No. 4 distillate fell at both levels. Kerosene prices increased at retail but declined at wholesale.
- October refiner sales of propane decreased at retail but rose at wholesale, while sales of kerosene-type jet fuel and No. 4 distillate did just the opposite. While aviation gasoline and No. 1 distillate prices increased at both levels, prices for kerosene fell at retail and wholesale.